

June 3, 1996

D.P.U. 96-8B

Application of Western Massachusetts Electric Company:

(1) under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. 896, for approval by the Department of Public Utilities of the semi-annual fuel charge, as adopted in D.P.U. 96-8A, to be billed to the Company's customers pursuant to meter readings in the billing months of June, July and August 1996; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. 586 during the same period of time. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by electric utilities with the Department, and implement the intent of §§ 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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FOR: WESTERN MASSACHUSETTS ELECTRIC COMPANY
Petitioner

I. INTRODUCTION

On April 26, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Western Massachusetts Electric Company ("WMECo" or "Company") filed with the Department of Public Utilities ("Department") an application to continue the Semi-Annual Fuel Charge approved in Western Massachusetts Electric Company, D.P.U. 96-8A (1996), in conformance with its tariff, M.D.P.U. 896, and to continue its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 586 ("Semi-Annual Fuel Charge"). The Company requested that both these charges be effective for bills issued pursuant to meter readings for the billing months of June, July and August 1996.¹ This matter was docketed as D.P.U. 96-8B.

Pursuant to notice duly issued, a public hearing on the Company's application was held on May 16, 1996, at the Department's offices in Boston. Notice of the public hearing was published in the Springfield Union-News, the Greenfield Recorder Gazette, the Berkshire Eagle, the Daily

¹ On August 31, 1995, the Department approved a semi-annual fuel charge proposal submitted by the Company which, subject to certain conditions, allowed WMECo to fix both the fuel charge and Qualifying Facility Rates for the months of September, October, November, December, 1995, January and February, 1996. Western Massachusetts Electric Company, D.P.U. 95-8C. The Semi-Annual Fuel Charge will be reviewed at each quarterly filing (and at any interim filing) in accordance with Section 94G. Western Massachusetts Electric Company, D.P.U. 95-8A at 14 (1995). The Company will (1) continue to file quarterly reports, with schedules consistent with those filed in prior WMECo fuel charge proceedings, which are subject to review to determine whether further adjustment is appropriate; (2) provide notice of quarterly filings; (3) allow a recognized intervenor an opportunity to question or contest the Semi-Annual Fuel Charge for the remaining three months at a public Interim Hearing; (4) appear at an evidentiary hearing if the Department and Attorney General determine it to be necessary; and (5) provide for a fuel charge adjustment every six months which is an appropriate interval under current circumstances.
Id. at 12.

Hampshire Gazette, and the Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. The Attorney General of the Commonwealth ("Attorney General") intervened pursuant to G.L. c. 12, § 11E. No other petitions for leave to intervene were filed.

At the hearing, the Company sponsored one witness, Robert A. Baumann, manager of fuel accounting and recovery for Northeast Utilities Service Company ("NUSCo"). The evidentiary record consists of one Company exhibit and two responses to record requests.

The Company is a wholly-owned subsidiary of Northeast Utilities ("NU") of Hartford, Connecticut, a public utility holding company. WMECo and three other wholly owned subsidiaries, Connecticut Light and Power Company, Public Service Company of New Hampshire, and Holyoke Water Power Company, furnish electric service in Connecticut, New Hampshire and western Massachusetts, respectively.

Other wholly-owned subsidiaries of NU provide support services for NU companies, and in some cases, for other New England utilities. NUSCo provides engineering, technical, and other services to NU system companies. Northeast Nuclear Energy Company ("NNECO") acts as agent for the NU system companies and other New England utilities in operating nuclear generating facilities in Connecticut. North Atlantic Energy Service Corporation ("NAESCo") acts as agent for NU companies and other New England utilities in operating Seabrook. Two other subsidiaries, Rocky River Realty Company and Quinnehtuk Company are involved in real

estate matters. NU has two other principal subsidiaries, Charter Oak Energy, Inc. and HEC Inc., which have non-utility businesses.

WMECo receives some of its power requirements pursuant to contractual rights from utilities both within and without the NU system. In addition, WMECo owns nine generating units. WMECo is engaged in the generation, transmission, and distribution of electric power to serve, on average during 1995, 193,948 customers in its service territory, which includes over 50 cities and towns in western Massachusetts. WMECo's total sales to ultimate customers, as shown in its 1995 annual report provided to the Department, were \$378,847,687.

II. FUEL CHARGE

On May 9, 1996, the Company filed with the Department its proposed fuel charge and QF power purchase rates for June, July, and August 1996. For these billing months, the Company proposes a continuation of the Semi-Annual Fuel Charge of \$0.01122 per kilowatthour ("KWH"), as approved by the Department in Western Massachusetts Electric Company, D.P.U. 96-8A (1996).

For informational purposes, the Company filed a calculation of a hypothetical rate of \$0.03147 per KWH, which reflects the rate that the Company would have requested in this proceeding in the absence of the approved semi-annual rate in D.P.U. 96-8A (Exh. WM-1, at schedule 1; see also Table 1, Line 16, attached to this Order). The hypothetical fuel charge is \$0.02025 cents higher than the current Semi-Annual Fuel Charge. According to the Company, the increase in fuel costs, included in its calculation of the hypothetical fuel charge, is a result of lower than forecasted nuclear generation at Millstone Nuclear Units I, II, and III, which are all

out of service, which in turn would require higher-priced replacement power (Exh. WM-1, at ii, 66, 72, 78; Tr. at 21, 22).

The Company's witness stated that waiting until the next Semi-Annual Fuel Charge proceeding to collect any underrecovery in fuel costs, as opposed to collection in the instant fuel charge proceeding, would mitigate any fuel charge increase that is required (Tr. at 29). Adjusting the fuel charge at the next semi-annual proceeding would result in a more stable fuel charge because the increased fuel costs would be spread over six months instead of three (id. at 39, 40). Accordingly, the Company proposes a continuation of the Semi-Annual Fuel Charge of \$0.01122 per KWH (id. at 6).

The Attorney General stated that at he would oppose any adjustments to the current Semi-Annual Fuel Charge in regards to the Millstone-related outages at this time. (id. at 44).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also

required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

The Company proposes to continue the following standard rates to be paid to QFs, which were approved in Western Massachusetts Electric Company, D.P.U. 96-8A:

Energy Rates By Voltage Level (Cents/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Transmission	2.406	1.798	2.086
Bulk Substation	2.418	1.804	2.094
Service at Primary Distribution From:			
23 kV	2.470	1.832	2.131
13.8 kV	2.498	1.846	2.154
4.8/8.3 kV	2.663	1.914	2.262
Service at Secondary Distribution From:			
23 kV Primary	2.534	1.863	2.177
13.8 kV	2.565	1.877	2.199
4.8/8.3 kV	2.732	1.945	2.309

D.P.U. 96-8A, at 5.

The short-run capacity rate proposed for the months of March through August, 1996 is zero. Id.²

IV. FINDINGS

Based on the foregoing, the Department finds:

1. That the Company's proposed continuation of its Semi-Annual Fuel Charge and the purchased power charge proposal contained within it are consistent with G.L. c. 164,

² The supporting schedules for the calculation of QF rates for June, July, and August, 1996 were filed in Western Massachusetts Electric Company, D.P.U. 96-8A.

§ 94G, and our findings in Western Massachusetts Electric Company, D.P.U. 96-8A, and with the public interest.

2. That the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of June, July and August 1996, shall be the Semi-Annual Fuel Charge of \$0.01122 per KWH, approved in Western Massachusetts Electric Company, D.P.U. 96-8A. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

3. That the QF power purchase rates for the billing months of June, July and August 1996, shall be the rates set forth in Section III, above, which are the Semi-Annual QF rates approved in Western Massachusetts Electric Company, D.P.U. 96-8A.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That the Western Massachusetts Electric Company is authorized to continue its Semi-Annual Fuel Charge of \$0.01122 per KWH, approved in Western Massachusetts Electric Company, D.P.U. 96-8A (1996) and set forth in Section IV, Finding 2 of this Order, for bills issued pursuant to meter readings for the billing months of June, July and August, 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of June, July and August 1996, shall be those set forth in the Table on page 5 of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is filing for approval of a fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges; and it is

FURTHER ORDERED: That the Company shall comply with all other directives contained herein.

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).